

FACT SHEET

SUBJECT: Maintenance, Repair, & Operations (MRO) Materials Prime Vendor Program

BACKGROUND:

- The MRO Program incorporates a rapidly growing commercial business practice identified as Integrated Supply that provides integrated logistics solutions for materials used for facilities maintenance to include, but not limited to, plumbing/HVAC/ refrigeration, electrical, lumber, small tools, paint, hardware and assorted fixtures and building supplies.
- The primary objectives of this program are to lower overall costs to the customers through reductions in infrastructure processes, on-site inventory and associated labor, and product pricing through leveraged buying; and provide surge capability for natural disasters, relief efforts, and troop deployments.

DISCUSSION:

- Customers order directly from a prime vendor, and the required items are supplied from the vendor to the customers' designated delivery sites. The number of items available in the catalog is based on individual installation preferences. Customers can expect competitive pricing, 3 day delivery of commercial off-the-shelf items and 24 hour service for emergency orders, brand name preference, bills-of-materials orders for specific projects to be assembled, held, and delivered 100% complete by the prime vendor to wherever and whenever the customer requires, and the ability to return excess materials ordered. The contract also requires the contractor to provide customer service representatives and technical experts who will provide expedited problem resolution, and technical support and advice including new item introductions, compatible substitutions, alternatives, and ordering assistance.
- Deputy Secretary of Defense, Dr. Hamre, issued Defense Reform Initiative Directive #45 acknowledging the MRO Program and its goals to all Military Departments and Defense Agencies. It also encouraged participation for maximum leverage. Each Military Department and Defense Agency was directed to designate a high level POC to oversee implementation; identify sites to evaluate participation; and assist DLA in implementing the MRO Program by providing site information and local POCs.
- The potential benefits of the program have also been specifically included in the DoD 1999 Defense Reform Report.
- The Statement of Work incorporated into the contracts was developed in cooperation with the implementation customers and industry. The initial contract was awarded in the Southeast Region of the United States and, within eighteen months, contracts were awarded providing coverage to customers located throughout the contiguous United States, Alaska, and Hawaii.

- The first contract for overseas customers was awarded March 1999 providing coverage for customers located in Japan and Okinawa. The most recent contract was awarded August 1999 to provide MRO support for customers in South Korea.
- KPMG Peat Marwick performed “as-is/to be” analysis of implementation sites in Southeast Region in with follow-up analysis detailed in report dated 28 August 1998. Results were:
 - Reductions in inventory in excess of 55%.
 - Reductions in processing costs in excess of 50%.
 - Customer satisfaction rated high.
- Program Status:
 - Program Sales (as of December 31, 1999): \$130.23M
 - Participating Customers: 129
 - Army: 27; Navy: 32; Air Force: 20; Marine Corps: 14; DoD/DLA: 14; Coast Guard: 5; Other Federal Agencies: 17
 - Top Army Customers
 - Schofield Barracks, HI
 - Fort Meade, MD
 - Fort Stewart, GA
 - West Point Military Academy, NY
 - Fort Richardson, AK
 - Fort Rucker, AL
 - Torii Station
 - MRO Program is incorporated into Supply 2000.
 - Baseline study in process at Fort Hood.

RECOMMENDATION: For information only.

APPROVED: General and Industrial Director

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